

LC

OFFICE OF THE CHAIRMAN
CORRESPONDENCE ASSIGNMENT

OC 06-089

ASSIGNED TO:
LEGAL/DSC-S

DATE: 03/29/2006

CORRESPONDENT: R. MICHAEL S. MENZIES
EASTON BANK & TRUST
501 IDLEWILD AVENUE
EASTON, MARYLAND 21601

MR. MENZIES WRITES REGARDING WAL-MART APPLICATION FOR AN ILC.

**THE ATTACHED CORRESPONDENCE HAS BEEN ASSIGNED TO LEGAL/DSC-S
FOR ATTENTION AS APPROPRIATE.**

**IF YOU HAVE ANY QUESTIONS RELATING TO THIS ASSIGNMENT, PLEASE
CONTACT THE CORRESPONDENCE UNIT OF THE OFFICE OF LEGISLATIVE
AFFAIRS AT 898-7055.**

DISTRIBUTION:

~~MS. RYAN~~

~~MS. TOPPING~~

FILE

~~TICKLER~~

MS. KOWAL

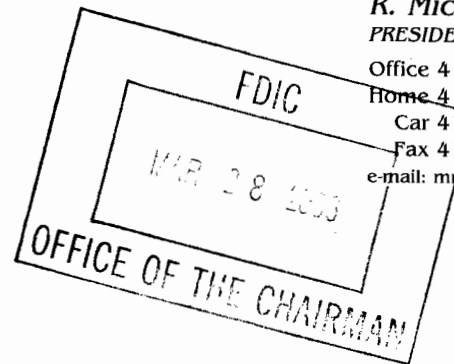
MS. COLOHAN

Easton Bank & Trust

Whatever you do, do it well

March 21, 2006

Honorable Martin Gruenberg
Vice Chairman
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, D.C. 20429



R. Michael S. Menzies, Sr.
PRESIDENT / CEO

Office 410-819-5880

Home 410-822-6663

Car 410-924-3904

Fax 410-819-8091

e-mail: mmenzies@eastonbankandtrust.com

Dear Vice Chairman Gruenberg:

I am writing to ask the FDIC to deny the application by Wal-Mart Stores, Inc., for Federal deposit insurance for a Utah industrial bank.

Granting Wal-Mart an industrial bank charter would violate long-standing U.S. policy, most recently reaffirmed in the Gramm-Leach-Bliley Act of 1999, of maintaining the separation of banking and commerce. Can you imagine the concentration of power if Wal-Mart has the ability to play in the banking and retail arena at the same time? Just think of the billions of dollars of credit card and check and electronic payments that would flow thru Wal-Mart Bank. Think of the power they would have over their vendors. Imagine Wal-Mart calling national food and drug, sporting goods, and electronics chains and offering them shelf space discounts if they bank with Wal-Mart Bank. Imagine how the FDIC would regulate such activity. Imagine that this activity would occur without the kind of regulatory supervision customary to banks that are regulated by the Federal Reserve.

Think about the "too big to fail" phenomena. What would happen if Wal-Mart Bank became troubled? Is the FDIC prepared to deal with such an event? Does the FDIC have the examination resources to monitor and prevent such an event? Given the massive scope of Wal-Mart, is it possible to regulate such a giant?

As an ILC, Wal-Mart will not fall under the supervisory scope of the Federal Reserve. Does the FDIC want the burden of regulating a company it is unable to audit? How could the FDIC Board put itself in such a high risk position?

Finally given the nature of "systematic risk," how will the FDIC establish capital standards for Wal-Mart Bank? How will the Basel Accords apply to Wal-Mart Bank?



Honorable Martin Gruenberg
March 21, 2006
Page 2

I recommend you prevent Wal-Mart from becoming an ILC and seek to maintain the separation of banking and commerce. That simple principle has worked for over 66 years. I recommend you do not grant Wal-Mart's application for FDIC insurance. The risks significantly exceed the potential benefits.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a long horizontal stroke extending to the right.

R. Michael S. Menzies